

Those in Attendance

Lowell Leishman, Chairman
Dean Bell
Beth Holbrook, Council Representative
David Irvine
Jed Pitcher
Paul Summers

Allen Johnson, Director
Jay Christensen
Alan Farnes
David Farnes
Brent Thomas
Luke Viegel

Mayor Randy C. Lewis
Councilman Richard Higginson
Gary Hill, City Manager
Galen Rasmussen, Assistant City Manager

Nancy T. Lawrence

John Cushing, Power Commission
Kendalyn Harris, Councilwoman
John Marc Knight, Councilman
John Pitt, Councilman

Chairman Leishman called the meeting to order at 8:00 a.m. and welcomed those in attendance. Commissioner Bell offered a prayer.

Minutes of the Power Commission meeting March 25, 2014 were presented and unanimously approved as written on a motion made by Commissioner Summers and seconded by Commissioner Bell. Voting was unanimous with Councilpersons Holbrook and Higginson and Commissioners Bell, Irvine, Leishman, Pitcher and Summers voting "aye".

Chairman Leishman welcomed former Councilman Fred Moss to the meeting and presented him with a plaque of appreciation for 12 years of service to the Power Commission (2001 – 2013). He noted that Mr. Moss is currently serving as Bountiful City’s representative on the IPP Board.

Mr. Christensen narrated a PowerPoint of the proposed FY 2015 Budget, noting that the budget is based on no proposed increases to BCLP's electric rates schedules. Three new fees are proposed which are (1) the *Pole cut disconnect/reconnect charge* (\$125 during regular hours and

1 \$250 after regular hours); and (2) \$160 is proposed for the *service to activate and deactivate*
2 *Seasonal Customers*. There will also be no increases in existing fees or deposits, with the
3 exception of an increase in the Net Metering Connect fee (related to the price of a bi-directional
4 meter) which is proposed to increase from \$300 to \$450. The proposed budget is based on a
5 March 31, 2014 Cash Balance of \$25,156,411. It was noted that \$5 million of that is a
6 requirement of our plant bond to serve as a rate stabilization fund. The Outstanding Bond
7 balance is \$13,385,000; 2020 is the first time we can refund or pay off the outstanding bond
8 balance. The average annual bond payment is \$1,211,519. Mr. Christensen noted that the new
9 turbines which have been installed in our system provide an annual savings of approximately \$3
10 million in power costs.

11
12 Mr. Christensen reviewed the Design Criteria philosophies which are incorporated to help
13 BCLP achieve its goal of managing and operating an efficient and reliable electrical utility
14 system. This criteria includes load management that does not over-load substation transformers
15 and feeders above a normal range; the capacity of either of the two 138 kV transformers and
16 either the North or South 46 kV loop to carry the full load of the City. More specifically, the six
17 feeders in the Central Substation and especially the feeder for the hospital should not be fully
18 loaded.

19
20 The long-term plan includes materials and labor for the in-house work force and
21 continued use of two contract tree crews. A wire and equipment replacement program is
22 included, along with upsizing the 62.5 MVA transformer, or installing a third transformer at the
23 138 Substation. (The cost estimate for this is about \$4-5 million). Limitations of the north and
24 east transmission line loops were defined, together with anticipated improvements. Limitations
25 and deficiencies of the substations were presented and the need for replacing the underground
26 wire system was reviewed. Other proposed projects included the overhead system, regular
27 equipment replacement, the hydros, and the SCADA System.

28
29 The budget includes \$1,100,000 to replace the electrical system, heating, air conditioning,
30 generator, etc. of the administrative/warehouse building. Discussion focused on the possibility
31 of replacing the existing building.

32
33 The proposed budget for Operating Expenses is \$23,004,689, up \$1,186,996. Personnel
34 services are at \$4,097,720, up \$88,112. This includes 34 full-time and 5 part-time employees, a
35 2% COLA for all employees, and merit increases for 10 employees. The proposed FY 2015
36 Capital Expenses are at \$2,417,500, up \$361,500.

37
38 Mr. Christensen reviewed the forecasted average load and resources, pointing out that the
39 recently installed turbines cover peaks that could otherwise be very costly at market prices. He
40 discussed power purchase contracts which are currently in place and possible future resources,
41 including IPP and UAMPS. Included in the mix with UAMPS is a new nuclear resource
42 (NuScale) near Idaho Falls, Idaho.

43
44 Commissioner Pitcher noted that Rocky Mountain Power is proposing a rate increase and
45 Mr. Johnson stated that BCL&P rates are *currently* 12.2% lower for residential customers than

1 Rocky Mountain. Discussion focused on whether or not (or when) a new administration building
2 should be considered for the Power Department. Mr. Johnson explained that the 2015 budget
3 includes an appropriation to be used for evaluating the existing building. Commissioner Pitcher
4 made a motion to recommend to the City Council that the proposed FY 2014-15 Bountiful City
5 Power Department Budget be approved. Commissioner Summers seconded the motion and
6 voting was unanimous. Commissioners Bell, Irvine, Leishman, Pitcher and Summers, and
7 Councilwoman Holbrook voted "aye".

8
9 Councilwoman Holbrook then motioned that the City Council approve the subject
10 budget, as recommended. Councilman Higginson seconded the motion and voting was
11 unanimous with Councilpersons Holbrook and Higginson voting "aye".

12
13 This concluded business related to the Council and the meeting continued as a Power
14 Commission.

15
16 **PRELIMINARY FINANCIAL REPORT – YEAR-TO-DATE**
17 **ENDING MARCH 31, 2014**

18 Mr. Christensen noted that as of 20 March 2014, the months of January and February
19 2014 had not been closed. As a result, the January, February, and YTD income statements, and
20 the January and February balance sheets and cash flow statements prepared for this report are
21 preliminary. However, most line items are not expected to change materially from this report
22 when those months are closed. The income statements, balance sheets, and cash flow statements
23 through December 2013 as included in this report are final.

24
25 Mr. Christensen reviewed that the Historically Allocated Budget (HAB) uses the last 10
26 years of history and he briefly reviewed FY 2014 estimates for Electric Meters Sales (EMS), Air
27 Products, and UAMPS power costs.

28
29 **Preliminary Total Revenues YTD**

30 Preliminary total revenues YTD were \$19,412,518, above the HAB by \$726,569. Major
31 items above or (below) the HAB included:

- 32 •\$ 467,831 [\$452,508 rate-adjusted] EMS was 2.8 above budget with strong sales for July
33 through November and January, partially offset in December and February. A
34 record one-hour system peak of 80.886 MW was set on July 1st.
- 35 •\$ 163,851 Air Products income was 10.2% above budget, due in part to the temporary
36 closure of a competitor's facility earlier in the year.
- 37 •\$ 28,261 connection fees with higher than expected activity.
- 38 •\$ 90,554 contributions in aid to construction from: \$8,046 Brian Knowlton; \$7,872 Davis
39 County School District; \$28,051 500 South Bountiful LLC; \$34,113 Knowlton
40 Construction; \$18,432 Wasatch Guaranty Capital; and \$9,207 Larry Dupaix.
- 41 •\$ 30,367 sundry revenues with \$32,752 of system damage receipts and \$8,090 of scrap
42 metal sales.
- 43 •\$ (51,098) interest income on investments (operating cash) is missing January data and the
44 actual interest rate earned was less than the 1.0% budgeted.

- \$ (11,640) interest income on rate stabilization fund is missing January data and the actual interest rate earned was less than the 1.0% budgeted.

Preliminary Total Operating Expenses YTD

Preliminary total operating expenses YTD were \$16,485,920, below the HAB by \$1,701,239. Major items (above) or below budget included:

- \$ 1,198,446 power costs were under budget despite the high EMS because of the careful purchasing and scheduling of power resources and the selective use of our three turbines, all of which allows us to match our daily load patterns much more closely (see System Resource Report).
- \$ 19,287 hydro transmission with insurance but no other expenses.
- \$ 63,769 distribution was below budget due to the December 2011 east wind expenses' impact on the HAB. This temporarily offset the ongoing higher use of materials from inventory resulting from crew efficiency and rebuilding the underground distribution system on Davis Blvd. from 500 South to 1800 South.
- \$ (49,314) streetlight with the new street light system on Davis Blvd. and work in other areas of the City (see distribution above).
- \$ (29,381) special equipment as the budgeted \$47,145 purchase of a meter analyzer and test equipment created a temporary timing difference.
- \$ (26,594) PCB with the unbudgeted \$23,620 disposal of old bushings and equipment from the 138 kV substation (see substation below).
- \$ (27,356) substation with budgeted replacement battery banks and related equipment for the 138kV and Central substations created a temporary timing difference.
- \$ 25,927 SCADA as budgeted funds for software support and new monitors had not been spent.
- \$ 36,597 communications as budgeted upgrades of phone and radio systems had not been done.
- \$ 37,966 meters as some budgeted expenses had not yet been incurred.
- \$ 17,298 uncollectible accounts expense was lower than expected.
- \$ 32,669 computer as some budgeted expenses had not yet been incurred.
- \$ 24,053 credit card merchant fees are done by the City Treasurer. They have not been reported since November and will not be until the new Treasurer does them.
- \$ 31,648 office & warehouse as budgeted upgrades and repairs had not been done.
- \$ 16,291 travel & training as budgeted expenses had not yet been incurred.
- \$ 118,865 contribution to the general fund was below budget because it is calculated on actual EMS only and excludes the \$1,533,399 estimate added to July EMS.
- \$ 226,186 total labor & benefits (TL&B), due mostly to the budgeted positions for an engineer and substation technician that were unfilled for most of the YTD. At February 15, 63.0% or \$2,526,602 of the TL&B budget could have been spent; the actual TL&B was \$173,462 below that target.

Preliminary Total Capital Expenditures YTD

Preliminary total capital expenditures YTD were \$310,099, above the HAB by \$(50,283). This was due to the unbudgeted capital project at 550 N. and 400 E.

1 There are two budgeted and approved capital expenditures that will affect future net
2 margins. These include:

- 3 •\$ 26,980 to buy a new service body (the matching service truck was bought in October).
- 4 •\$ 51,659 to buy a large fork lift (delivered in February but paid for in March)
- 5 •.

6 There is also a pending expense that is not included in the current budget that will affect
7 the net margin:

- 8 •\$ 316,219 as billed from ICPE for the power plant project. The actual amount to be paid is
9 in negotiations between ICPE and BCLP. Although this item was originally
10 budgeted as a capital expenditure, the final billing will be expensed because the
11 project was completed and capitalized in FY 2012.

13 **Preliminary Net Margins YTD**

14 The preliminary net margin for the YTD was \$2,616,499, above the HAB by \$2,368,525,
15 due primarily to low power costs, high EMS (including the estimate), low labor & benefits, and
16 high Air Products Income. The preliminary net margin for the month was \$245,126.
17 Councilwoman Holbrook motioned to approve the Preliminary Financial Report for the Year-to
18 Date Period Ending March 31, 2014. Commissioner Summers seconded the motion and voting
19 was unanimous. Commissioners Bell, Irvine, Leishman, Pitcher, and Summers, and
20 Councilwoman Holbrook voted “aye”.

22 **POWER PLANT UPDATE**

23 Mr. Farnes updated the Commission on the Pipeline Closure and Underground Storage
24 Tank Release, noting that we are still waiting to hear back from the Division of Environmental
25 Response and Remediation to know if we should proceed with the proposed work plan. We
26 have signed a Firm Transportation Service Agreement with Questar, and the backup air
27 compressor has been delivered and we are in the process of installing it. Also, starting April 1st
28 one of the Titans has been running each afternoon for about 7 hours to shave peak load.

30 **Annual Emissions Test Approval**

31 Mr. Farnes reviewed that our Air Quality Operating Permit for the Power Plant requires
32 that we test the three natural gas turbine generators annually. American Environmental Testing
33 Company has performed these tests and done the reporting for several years and have been very
34 good to work with and the UDAQ has never questioned their work. We requested a quote from
35 them to continue to provide these services. They responded with a quote of \$11,000 for
36 emissions testing and reporting. It is staff recommendation that this quote be approved.
37 Commissioner Pitcher made a motion to recommend approval of the quote from American
38 Environmental Testing Company in the amount of \$11,000. Commissioner Irvine seconded the
39 motion and voting was unanimous. Commissioners Bell, Irvine, Leishman, Pitcher, and
40 Summers, and Councilwoman Holbrook voted “aye”.

42 **POWER RESOURCES UPDATE**

43 Mr. Johnson reported that we are continuing to work with IPP; however, the San Juan
44 resource does not look promising.

1 The following items were in the packet, but not discussed in the meeting:
2

3 **POWER SYSTEMS OPERATIONS REPORT**

- 4 a. February 2014 System Resources Report
5 b. March 2014 Lost Time Related Injuries/Safety Reports
6 c. March 2014 Public Relations Report
7 d. March 2014 Outage Reports
8

9 **OTHER BUSINESS**

10 The next Power Commission meeting will be held May 27, 2015 at 8:00 a.m.
11

12 **ADJOURN**

13 The meeting adjourned at 9:40 a.m. on a motion made by Commissioner Pitcher
14 and seconded by Commissioner Bell. Voting was unanimous with Commissioners Bell,
15 Irvine, Leishman, Pitcher, and Summers, and Councilwoman Holbrook voting "aye".
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